

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1813 - SB 2012

March 4, 2014

SUMMARY OF BILL: Requires every individual or group health insurance policy providing coverage on an expense-incurred basis, every policy or contract issued by a hospital or medical services corporation, every individual or group service contract issued by a health maintenance organization (HMO), and every self-insured group arrangement to, by January 1, 2015, to provide coverage for acupuncture services.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$1,302,500/FY14-15
\$1,302,500/FY15-16**

Other Fiscal Impact – Federal essential health benefits will be reevaluated in calendar year 2016. It is unknown what benefit requirements will be after the reevaluation. If acupuncture is not included as an essential health benefit at that time, annual state expenditures will exceed \$2,605,000 to cover the costs.

Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111): Such legislation will result in an increase in the cost of health insurance premiums for acupuncture benefits being provided by plans that do not currently offer these benefits at the proposed mandated levels. Due to federal regulations, the state will cover the increased premium costs for enrollees in qualified health plans; therefore, any increase to individuals or businesses for the increased premiums will not be significant.

Assumptions:

- According to the Department of Commerce and Insurance (DCI), the bill imposes a health insurance benefit mandate that exceeds the benefits provided under the Tennessee essential health benefits (EHB) plan.
- Pursuant to the Patient Protection and Affordable Care Act (PPACA), states are required to defray the cost of benefit mandates enacted after December 31, 2011, that require coverage of benefits by qualified health plans that exceed benefits included in the state's EHB benchmark plan.
- According to DCI, a state may defray the cost of a mandate by reimbursing the health insurance carrier for the amount of premium attributed to the new benefit, or for the

insurance carrier's actual costs. DCI assumes the state will reimburse the health insurance carriers for the amount of premium attributed to the new benefit.

- DCI estimated that 125,500 Tennesseans would obtain coverage through the exchange in calendar year 2014 and that an additional 80,300 Tennesseans would obtain coverage in 2015 for a total exchange population of 205,800 based in part on national estimates from the U.S. Government Accountability Office and the U.S. Congressional Budget Office.
- Based on federal policy changes and the implementation of the exchange, DCI believes the 125,500 Tennesseans is a better estimate for calendar year 2015.
- Based on data provided by carriers currently offering qualified health plans (QHPs) on the federally facilitated exchange for Tennessee, DCI estimates that off-exchange QHP enrollment in 2015 will be approximately 135,000.
- DCI estimates a total QHP population of 260,500 for calendar year 2015 (125,500 + 135,000).
- Based on cost data provided by health insurance carriers offering QHPs, DCI estimates that the average additional cost per enrollee over a six month period is \$5.00 result in an increase in expenditures of \$2,605,000 in calendar year 2015 [260,500 enrollees x (\$5 x 2 six-month periods).
- Current federal rules only apply to calendar years 2014 and 2015 at which time the federal Department of Health and Human Services will reevaluate EHB determinations. For purposes of this cost analysis, the fiscal impact is only applied to calendar year 2015.
- The estimated increase in state expenditures is \$1,302,500 in FY14-15 and \$1,302,500 in FY15-16.
- According to TennCare, acupuncture is currently a covered benefit when considered medically necessary; therefore this will have no significant impact on any plan it administers.
- According to the Department of Finance and Administration, Division of Benefits Administration, plans administered by the Division currently provide coverage for acupuncture under certain circumstances.
- According to the Division, this act does not expand any plan's coverage limits for acupuncture services.
- Private sector health insurance premium impact: The provisions of the bill will result in an increase in covered individuals receiving benefits for acupuncture. Health insurance premiums will increase to cover the costs of the additional benefits. According to the *Health Insurance Mandates in the States 2010* report by the Council for Affordable Health Insurance (CAHI), the estimated cost to health insurance for acupuncture benefits will be less than one percent of the total premiums nationwide. It is estimated that the increase in Tennessee to each individual's total premium will be similar to those nationally. The state will be responsible for this increase; therefore, any increase to individuals or businesses for the increased premiums will not be significant.

IMPACT TO COMMERCE:

**Increase Business Revenue - \$1,302,500/FY14-15
\$1,302,500/FY15-16**

**Increase Business Expenditures - \$1,302,500/FY14-15
\$1,302,500/FY15-16**

Assumptions:

- According to DCI, a mandate for acupuncture exceeds Tennessee's EHB benchmark plan under the PPACA; therefore, any increased premiums will be paid by the state.
- DCI estimates cost for the added benefit to be \$1,302,500 in FY14-15 and FY15-16.
- Any costs beyond December 31, 2015 cannot be determined because the federal government will reevaluate essential health benefits at that time.
- It is estimated that requiring acupuncture will, therefore, increase costs for many private health insurance providers.
- Insurance providers would increase premiums across the board to cover any additional costs incurred to provide acupuncture.
- This may result in expenditures for businesses which provide health insurance for its employees. Due to a number of unknown factors, this amount is unable to be determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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